

## Service Quality, Interest Rate, and Deposit On Call On Profitability (Study in Bank Mandiri Branch Office in PT. X)

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### Abstract

*The aim of this research is to measure the influence of service quality and interest rate on deposit on call, and the influence of service quality, interest rate, and deposit on call on profitability. Hopefully, the result could give contributions for the development of management study, especially financial management. It also could hopefully provide valuable information about the importance of service quality, interest rate, and deposit on call in order to increase bank profitability. The location of this research was in Bank Mandiri, Bandung Branch Office in PT. X. The methodology used was quantitative research using descriptive and verificative analysis. Research data horizon was cross sectional using path analysis method. The results showed that there were significant influence between the interest rate on deposit on call, and service quality, interest rate, and deposit on call to profitability. It was found also that the influence of straight interest rate on profitability was weaker than interest rate on profitability via deposit on call.*

*Keywords: service quality, interest rate, deposit on call, profitability*

### INTRODUCTION

Indonesia and the nations of Southeast Asia (ASEAN) are facing Free Trade era with the enactment of ASEAN Economic Community (AEC). Banks are trying to establish their power so they can compete and operate smoothly on Free Market Economy zone. The profile of Bank Mandiri can be seen in Table 1, so does the profile of Bank Mandiri of Bandung Branch Office in PT. X. PT. X is a customer of Bank Mandiri in Bandung in which it was necessary to open Branch Office in the Main Office Building of PT. X Bandung. The big state-owned companies, such as PT. X, Tbk., are not free from banking services, i.e. for the payments of operational partnership either in domestic or overseas. The payments are transferred via banks, including foreign loan payments.

At first, there was only one bank that set up a branch office in the Main Office Building of PT. X that was Bank Mandiri. However, there had been branches of competing banks appearing, namely Bank Muamalat, Bank Rakyat Indonesia, Bank Negara Indonesia and Bank Syariah Mandiri for the last few years. The problems faced by Bank Mandiri Branch Office in PT. X are the decrease in the level of performance presented in Table 2, as measured by the ratio of Return on Assets (here in after written as ROA) from August

to October 2014, and were under the overall ROA of Bank Mandiri from 2010 to 2014 (Table 3).

The quality of service is very important in the banking business, as a factor that influences customer satisfaction (Cronin et al, 2000:224) to the primary motivator that binds customer loyalty (Zafar et al 2012:128). Best service value can make the customer satisfied and eventually become loyal. A bank can differentiate itself from competitors by providing high quality services (Kumar et.al, 2010:32), which in turn affect the profitability.

Data from Bank Mandiri's website states that in early 2015, there had been 2,103 branches and 12,542 ATMs spread across Indonesia. Until 2014, the Bank was awarded the Best Bank Service Excellence as many as seven (7) consecutive times from 2008. As quoted from 387 Edition of Mandiri magazine (2014:10), the journey of Bank Mandiri following Bank Service Excellence Monitoring (BSEM) entered its 15th (fifteenth) year.

Table 4 shows that there are some aspects that have not been achieved to the fullest even though the bank has become the overall champion. Values obtained in each category surveyed indicate that there is a gap in the value of teller services.

Bank functions as a Financial Intermediary Institution basically are to mobilize public funds for

further distribution to individuals or institutions that in need in the form of loans for investment purposes. Individuals or institutions that have excess funds need institutions that can manage funds effectively and profitably. Customers entrust the management of these funds to banks in the form of savings, deposits, and giro.

Placement of Third Party Funds mainly Deposit On Call (here in after written as DOC) in Bank Mandiri Branch Office in PT. X is affected by the amount of payment will be made. Unspent funds are saved in DOC. The fact that happened today is Bank Mandiri Branch Office in PT. X had a decrease of DOC owned by PT. X, occurred from the period of August 2014 through October 2014 which can be seen in Table 5. The facts show that PT. X is placing its funds not only in Bank Mandiri but also distributed in some state banks. The funds saved will be moved in order to reach targets of interest income.

Competition to seize DOC funds of PT. X caused the state-owned banks offer different interest rates as shown in Table 6. Under the Indonesian Banking Statistics (*Statistik Perbankan Indonesia/SPI*), the trend of interest rates on third party funds up to the position in July 2014 is still increasing and is above the benchmark interest rate of Bank Indonesia (7,50% per year) and LPS (*Lembaga Penjamin Simpanan*) (7.75% per year). Credit rates continued to increase as the impact of rising interest rates in deposits.

The funds owners wished their funds could grow. Banking fund that consist of clearing accounts, deposits, and savings during certain periods are heavily influenced by interest rates. Deposits are expensive funds because they must provide a high remuneration for customers. Placement of these deposits consist of deposits of 1 (one) month, three (3) months, six (6) months, and twelve (12) months. In addition to deposits, the bank provides DOC product that is a placement of funds in few days with minimum funds.

The government issued fund management policy and bank credit, which aim to complement and enhance the development of banking sector. The interest rate is constantly adjusted realistic and affects the high-low interest rates that are set by banks. Interest rates are influenced by Bank Indonesia Regulation Number 14/26/PBI/2012 Section 2.2 on Business Activities Bank Regulation.

Based on core capital owned, the Banks classified into 4 (four) business group as follows: (1) BUKU 1: *Bank Umum Kelompok Usaha 1* is Banks with core capital of less than Rp. 1 trillion; (2) BUKU 2: Banks with core capital of Rp. 1 Trillion up to less than Rp. 5 Trillion; (3) BUKU 3: Banks with core capital of Rp. 5 Trillion up to less than Rp. 30 Trillion; and (4) BUKU 4: Banks with core capital above Rp. 30 Trillion.

Based on discussions and input of banks of BUKU 3 and 4, and considering the negative impact of interest

rate competition on economic growth and credit performance, particularly on micro-credit customers who are the largest population of credit debtors, the maximum interest rate of third party funds was set as follows:

1. The maximum rate is 200 bps above the BI rate or the current maximum of 9.50% for the BUKU 4 group, including all incentives given directly to depositors;
2. Giving the maximum deposit rate for LPS interest rate which is currently at 7.75% for nominal deposits up to Rp. 2 billion and has taken into account all of the incentives given to depositors;
3. The maximum interest rate is 225 bps above the BI rate or the current maximum of 9.75% for the BUKU 3 group: including all incentives given directly to depositors; and
4. To optimize the application of the maximum interest rate, then the supervisor will also conduct monitoring and supervisory action on BUKU 1 and 2 banks to participate and support the decline in interest rates in deposits. Supervision of maximum interest rate is applicable throughout the bank.

According to the commitment to implement this policy, banks are required to carry out the following things:

1. Getting a decrease in credit interest rates as soon as possible after the imposition of the third party fund maximum interest rate provision and report the realization to OJK (*Otoritas Jasa Keuangan*) at the first opportunity.
2. Incorporating the commitment reduction in credit rates in the Business Plan 2015 submitted to no later than the end of November 2014 as well as the calculation of the impact on financial performance.
3. Conducting appropriate credit expansion targets for business plan 2015 by considering the availability of funds and the precautionary principle.

High inflation rate could have an impact on the banking sector, therefore Bank Indonesia also establish an appropriate interest rate as a benchmark for public and private banks to determine interest rates in order to remain liquid and profitable. The worrying thing is the interest rate given to the owners of large funds (core depositors) up to the position in August 2014; that there had been above 11% in almost all banks, especially in BUKU 3 and 4 banks. The OJK assesses that banking funds rate has been at out of the ordinary, because the impact on the high cost economy is slowing of growth and declining in economic activity, decreasing in credit portfolio expansion, and increasing of credit risk.

The average trend of interest rate of fund on the industry from early 2014 until July 2014 show that the rupiah deposits have increased by around 70 bps, from 7.97% in January 2014 to 8.67% in August 2014. While

the provision of interest rates on core depositors have generally been in the range of 11% especially in the bank group of BUKU 3 and 4. As for comparison, the average interest rate of funds in Malaysia, Singapore, and Thailand revolve around the 2% - 4% with credit interest rates in the range of 3 % -7%.

The problems of this study are as followed:

1. How the Quality of Service, the interest rate, DOC, and Profitability in Bank Mandiri Branch Office in PT. X are.
2. How the effect of the Quality of Service and the interest rate on DOC in Bank Mandiri Branch Office in PT. X are.
3. How the effect of the Quality of Service and the interest rate on Profitability in Bank Mandiri Branch Office in PT. X are.
4. How the effect of DOC on Profitability in Bank Mandiri Branch Office in PT. X is.

## METHOD

Efriandy (2013) suggested a link between Quality of Service and DOC. Zafar, et.al. (2012) stated that there is a relationship between the construction of service quality and customer satisfaction, as well as satisfaction with customer loyalty. Becser (2007) suggested a link to the quality of the organization's performance. Heybati et.al (2011) stated that five (5) dimensions of Quality of Service are Tangibles, Reliability, Responsiveness, Assurance, and Empathy effect on profitability.

Martini (2010) stated that the interest rate, exchange rate, and the Gross Domestic Product give effects on the number of third-party funds while inflation has no effect on the amount of third-party funds.

Shao-Bin Lin and Yi-Fang Hsieh (2010) stated that the interest rate is the second most influential factor on ROA after net assets (net worth). Lesmaya (2013) stated that the exchange rate, inflation, and SBI (*Sertifikat Bank Indonesia*) have no effect on profitability, while third party funds, interest rates, and CAR have positive effect on profitability. Khan and Sattar (2007) stated that there is a strong and positive relationship between the interest rate and the bank's profitability.

Lesmaya's Research (2013) is used as the basis for determining the DOC relationship with profitability. Relationships between variables shaping the research paradigm, as seen in Figure 1, with the hypothesis that (1) Quality of Service, has positive effect on DOC; (2) Quality of Service has positive effect on profitability; (3) Interest Rate has positive effect on DOC; (4) Interest Rates has positive effect on profitability; (5) DOC has positive effect on profitability.

This research is a quantitative research, using descriptive and verification method with primary and secondary data. Operationalization of variables can be seen in Table 7. The population of this study is 58 (fifty-eight) days of placing DOC of PT. X and Yakes

of PT. X in July 1st, 2015, to September 30th, 2015. The data collection technique used to measure the quality of service is a questionnaire with a sample and the unit of analysis as much as 58 customers of Bank Mandiri Branch Office in PT. X. The questionnaire was first tested for validity and reliability. The verification method used path analysis.

## RESULT

The performance of Bank Mandiri Branch Office of PT. X has achieved good quality care on the dimension of Tangibles, Responsiveness and Empathy, but still it was less on the dimensions of Reliability and Assurance (Table 8). Bank Mandiri assigned four (4) types of interest rate of DOC: (1) the level of interest rate for 1-4 days, (2) 5-12 days, (3) 13-20 days, and (4) 21-28 days. The calculation of the number of classes, with the Sturges rules (Ridwan, 2009: 54), obtained the number of classes for the data as much as 58 (fifty-eight) is equal to 7 (seven) or 8 (eight) class. Calculation of upper and lower limits for each DOC period are described and presented in Table 9.

Descriptive analysis of the level of interest rate indicates that Bank Mandiri tend to set low interest rates for all DOC periods (Tables 10-12), although the interest rate currently set is higher than in October 2014.

The interest rate was set by the Bank Mandiri Central policy and all applied to all branches. The impact of Bank Mandiri Branch Office of PT. X is that it cannot adjust the interest rates offered on PT. X if the interest rate of bank competitors were higher on the day when the Treasury of PT. X or Yakes of PT. X had to decide the bank and how long they had to deposit the money.

Bank Mandiri Branch Office in PT. X only had two DOC customers, namely PT. X and Yakes of PT. X. To compete to state-owned bank to obtain DOC of PT. X, PT. X need to make some regulations on SOE Synergy (obligation to make cooperation between SOEs), so that PT. X's DOC could only be placed in state-owned banks. Different conditions to obtain DOC of Yakes Telkom are to having to deal with the entire Bank in Bandung, because it is not bound by government regulations regarding SOE Synergy.

DOC is based on a consideration of the funding requirements of two agencies. If within a period the two agencies funding requirement is high, then the amount of deposited DOC will be low. Treasury department of both PT. X and Yakes of PT. X will then determine which bank they will store the deposits in the next step. Consideration of the placement will depend on the interest rate offered by banks.

The majority (93.10%) of the amount of DOC of PT. X in Bank Mandiri Branch Office in PT. X is located at a class of less than Rp 643 billion, and the majority (93.10%) of the amount of DOC of Yakes of PT. X is in a class of less than Rp 106 billion. The average of



ROA of Bank Mandiri Branch Office in PT. X currently reached 2.15%, lower than the overall ROA of Bank Mandiri during the 2010-2014 period. This is due to Bank Mandiri Branch Office in PT. X is basically a branch that is focused on PT. X and do not serve the large public as other branches. As a result, ROA non DOC services are lower because the existing customers are only the employees of PT. X.

ROA Bank Mandiri Branch Office in PT. X currently averaged 2:15 ROA% lower than the Bank as a whole during the 2010-2014 period. This is due, Bank Mandiri Branch Office in PT. X is basically a branch that is focused on PT. X and not serve the public at large as well as other branches. As a result, ROA non DOC lower services for existing customers only employees of PT. X only.

Based on the test of the hypothesis obtained as follows (Table 13):

1. The effect of Quality of Service on Profitability is significant and positive.
2. The effect of Quality of Service on DOC is not significant.
3. The effect of Interest Rate on DOC is significant and positive.
4. The effect of Interest Rate on profitability is significant and positive.
5. The effect of DOC on Profitability is significant and positive.

The indirect effect of Interest Rate on Profitability is  $0.989 \times 1.520$  or 1.503. It means that the higher the interest rates, the higher the profitability if DOC is high. The indirect effect coefficient of Interest Rate on Profitability through DOC is greater than the coefficient of direct effect of Interest Rate on Profitability, which means Interest Rate has more influence on Profitability through DOC than direct influence on Profitability.

The better the Quality of Service will increase customer trust, satisfaction and loyalty therefore DOC increased (Efriandy, 2013; Zafar, et.al, 2011). The hypothesis test showed that the Quality of Service has no significant effect on DOC. This result is contrary to the hypothesis. There are three logical explanations for the causes:

1. Quality of Service measured by customers of Bank Mandiri Branch Office in PT. X is not a decision maker in the amount of allocated funds in DOC. Respondents are employees of PT. X and Telkom Group that have office in the Central Building PT. X, which requires non-DOC services, such as account opening, handling credit card bills and loan repayments. This hypothesis may be proven if used benchmarks of deposits of individuals, not DOC.
2. The main consideration about how much money is allocated to DOC is the amount of unused funds for a certain period. After that the Treasury of PT. X

or Yakes of PT. X look for info on bank that offers the highest interest rate. Thus, however good the Quality of Services provided by Bank Mandiri Branch Office in PT. X cannot increase or decrease DOC, both the amount of nominal and period.

3. The study did not observe differences in the Quality of Services provided as well as the interest rate offered by Bank Mandiri compared to competitors. Hypothesis of the relationship between Quality of Service and DOC may be evident if a comparison with competitors using the hypothesis that banks that give better quality services will gain greater DOC.

This study supports Becser's research (2007); Heybati et.al (2011) that the relationship Quality of Service and Profitability is directly proportional. The level of Quality of Services of Bank Mandiri Branch Office in PT. X has exceeded customer expectations in Tangibles, Responsiveness, and Empathy indicator, while at the Reliability and Assurance indicator is still below expectations. This shows that Bank Mandiri Branch Office in PT. X still have to improve performance, especially in the field of Reliability and Assurance to obtain higher profitability, through the various services offered outside the DOC services.

The results of the research support the statement of Martini (2010) that the relationship between interest rate and DOC is directly proportional. Practical implications arising from the evidence of this hypothesis are that Bank Mandiri Branch Office in PT. X has difficulties in increasing the amount of DOC. This is evident in the amount of funds deposited by PT. X and Yakes in their DOC with the majority (93.10%) located in the lowest class.

The interest rate does affect the DOC, but Bank Mandiri Branch Office in PT. X cannot immediately adjust interest rates to be offered to PT. X and Yakes of PT. X. Special interest rate is set by Bank Mandiri Central that must be obeyed by all branches. In fact, the Treasury department of PT. X and Yakes of PT. X constantly monitor movements in interest rates. PT. X is still bound by government regulations regarding synergy to simply transfer funds to the state banks, but Yakes PT. X is not bound by the rules of synergy and Bank Mandiri Branch Office in PT. X is facing more competitors to obtain DOC fund. The Treasury is bound by the rules of the company and afraid to be audited that the primary decision of DOC fund placements based on interest rate they run strictly. At this point the difference in behavior between corporate customers with a personal show up, so that led to the hypothesis of quality of service determines the amount of DOC in Bank Mandiri Branch Office in PT. X is not proven.

Lin and Hsieh (2008), Lesmaya (2013), and Khan and Sattar (2014) stated that the interest rate effect on profitability. Their research stated that customers tend

to put money in the bank that provides a greater rate, therefore banks that provide greater interest rate have reserved of more public funds to be distributed, and eventually increase profitability.

There are two lines that express the influence of interest rates on profitability in this study:

- a. The direct effect of interest rate on the profitability of the influence index of 0.441; and
- b. Effect of Indirect Interest Rates on profitability through DOC with indirect influence index of 1.503.

The influence of interest rates on profitability indirectly through DOC is greater than the direct effect of interest rates on profitability. That is, the higher the interest rate, the higher the profitability if the value of DOC is high. The findings of this study support Hsieh and Lin (2008), where the interest rate effect on profitability.

The results of verification data processing shows that an increase in interest rates would encourage increased DOC that will improve ROA. Practical impact on the above findings is Bank Mandiri Branch Office in PT. X needs to provide input on Bank Mandiri Central on competitive interest rates so that the amount of DOC of PT. X and Yakes of PT. X increased.

Practically an increase in interest rates to boost profitability cannot be freely done. Banking interest rate in Indonesia is regulated by Bank Indonesia regulation and OJK, which is responsible for monitoring the security of third-party funds that are stored in banks in Indonesia. Bank Mandiri can only offer interest rates at a limited level, in accordance with the range set by the government. Thus, the steps that can be taken by the Bank Mandiri Branch Office in PT. X is to provide input to Bank Mandiri Central on the interest rate offered by bank competitor or request the authority to set interest rates more competitive in a range that is allowed.

The results support the Lesmaya's research (2013) which stated that the Third Party Funds have a significant effect on Profitability. Higher DOC allows banks to channel greater public funds in banking activities that generate profit. If we compare the effect Quality of Service on Profitability (influence coefficient 0.387), the effect of Interest Rate on Profitability (influence coefficient 0.441), and the effect of DOC on Profitability (influence coefficient of 1.52), the most influential is DOC on Profitability.

The level of profitability of Bank Mandiri Branch Office in PT. X reach the average of 2.15%, with the highest frequency ROA is in a class of 2,336% - 3,456%, 1,214% - 2,335% and 2,336% - 3,456%. Achieved ROA is still very high considering that this achievement is daily calculated. Nonetheless, ROA is achieved by the high quality of service on individual customer of employees of PT. X. ROA can be increased again by given the role of DOC which is greater in the formation

of ROA than the quality of service.

Practical implications of this research are that Bank Mandiri Branch Office in PT. X needs to provide input regarding the interest rate set by competitors or request the authority to set interest rates to be more competitive (decentralization) in the range that is allowed to drive profitability.

## CONCLUSION

The conclusion of this study can be stated as followed:

1. The condition of Bank Mandiri Branch Office in PT. X at this point are as followed:
  - a. Quality of Service exceeds customer expectations in the dimension of Tangibles, Empathy and Responsiveness, but they still have to improve the performance on the Reliability and Assurance dimension to match the customer's expectation. Among others:
    - The attractiveness of the printed material and promotional display (Tangibles dimension).
    - The pertinence of the appointment within the completion of the work, sincere interest in solving the problem of customers, the precision work procedures since the beginning (Reliability dimension).
    - The pertinence of the appointment in time to start the work (Responsiveness dimensions).
    - The consistency of hospitality towards customers, knowledge of employees in answering customer questions (Assurance dimension).
    - The personal attention given to the bank's clients (Empathy dimension).
  - b. Interest rate of DOC of Bank Mandiri tends to be lower than the average interest rates.
  - c. DOC of PT. X and Yakes of PT. X majority (93.10%) were in the lowest category or class.
  - d. ROA of Bank Mandiri Branch Office in PT. X is overall under the average of Bank Mandiri during the 2010-2014 period.
2. Quality of service has a positive but not significant effect on DOC in Bank Mandiri Branch Office in PT. X, so the improvement of the quality of service was not proven to increase DOC. Interest Rate has a positive and significant effect on DOC of Bank Mandiri Branch Office in PT. X. Meanwhile, the higher the interest rate offered, DOC tends to increase.
3. Quality of service and interest rate have positive and significant effect on the profitability of Bank Mandiri Branch Office in PT. X. The higher the quality of the service and the interest rate on Bank Mandiri Branch Office in PT. X, profitability increased.
4. The amount of DOC in Bank Mandiri Branch

Office in PT. X has a positive and significant effect on profitability. The larger the amount of DOC, profitability increased.

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## APPENDIX

Table 1. The Profile of PT Bank Mandiri (Persero), Tbk. Branch Office in PT. X Semester I Year 2014

Analysis	Achievement of PT Bank Mandiri (Persero) Tbk.	Achievement of PT Bank Mandiri Branch Office in PT. X
Asset	Rp 764,9 Trillion	Rp 1,365 Trillion
Credit	Increase 13,3%	Increase 7,6%
Low Cost Fund	Rp 345,6 Trillion	Rp 425 Million
Amount of Credit	Rp 458,8 Trillion	Rp 1,115 Trillion
Income After Tax	Rp 9,6 Trillion	Rp 214 Million

Source: Secondary Data Collection, 2014 - 2015

Table 2. Profitability of PT. Bank Mandiri Branch Office in PT. X August-October 2014

Period	Return on Asset
August 2014	1,412%
September 2014	2,311%
October 2014	1,278%

Source: Data Collection, 2015.

Table 3. Profitability of PT. Bank Mandiri 2010-2014

Period	Return on Asset
Year 2010	3,50%
Year 2011	3,37%
Year 2012	3,55%
Year 2013	3,66%
Year 2014	3,57%

Source: Secondary Data Collection on BEI, 2015.

Table 4. Ranking of Service Excellence of PT. Bank Mandiri Compared to Other Banks

CATEGORY	Bank Mandiri Rank	Other Banks Rank
Best overall performance	1	BNI (2)
Customer service	1	BNI (2)
Teller	2	Danamon (1)
Security	1	BNI (2)
Phone Banking Officer	1	Permata (2)
Overall E-Banking	1	BRI (2)
Internet Banking	1	BCA (2)

Source: Mandiri Magazine 387th Edition, 2014, pg. 10.

Table 5. Deposit on Call of PT. X in Bank Mandiri Branch

Period	Amount of DOC of PT Telkom
August 2014	Rp. 4.442.486.000,00
September 2014	Rp. 2.975.500.000,00
October 2014	Rp. 918.000.000,00

Source: Secondary Data Collection, 2015

Table 6. Interest Rate of Deposit on Call of SOE Bank, October, Year 2014

Bank Name	1 - 4 days	5 - 12 days	13 - 20 days	21 - 28 days
BRI	-	7,00%	-	-
BTN	-	5,50%	5,50%	-
BNI	5,00%	5,10%	5,30%	5,60%
Mandiri	4,90%	5,50%	5,90%	6,20%

Source: Treasury Dept. of Yakes of PT. X 2014.

Table 7. Operationalization of Variable

Variable	Dimension	Indicator	Scale	No Item
Quality Of Service (X <sub>1</sub> ) The performance level of the company to meet customer expectations (Zeithaml et .al, 2012:214)	Tangibles (X <sub>11</sub> ) Appearance of physical facilities, equipment, employees, and communication material	The equipment used has modern look	Ordinal	1
		The attractiveness of the physical facilities of bank		2
		Neat appearance of employee		3
		The attractiveness of the printed material and promotional display;		4
		Pertinence of appointment in terms of time of completion of the work;		5
	Reliability (X <sub>12</sub> ) Ability to perform the promised service independently and accurately	Sincere interest in solving customer problems;		6
		The accuracy of the work execution procedure from the beginning;		7
		Pertinence of appointment in terms of time of execution of work;		8
		Persistence to provide defect-free services;		9
	Responsiveness (X <sub>13</sub> ) Willingness to help customers and provide prompt service	Pertinence of appointment time to start the work;		10
		The fast paced services to clients;		11
		Consistency in terms of willingness to serve customers;		12
		The willingness to leave the bustle to serve customer demand;		13
	Assurance (X <sub>14</sub> ) Knowledge, politeness, as well as the proficiency of employees in maintaining customer trust	Ability to foster customers trust;		14
		Customers feeling safe in dealing with bank;		15
		Consistence hospitality to customers;		16
		Knowledge of employees in answering customer questions;		17
	Empathy (X <sub>15</sub> ) The personal attention and care shown by Bank Mandiri Branch Office in PT. X	The personal attention given to the bank customer;		18
		Leisure bank operating hours for customers;		19
		The willingness of employees providing personal attention to the customer;		20
		The willingness of banks to prioritize to the best interests of customers;		21
		The willingness of employees to understand the special needs of customers.		22

Interest Rate (X2) The compensations granted by banks to customers who buy or sell products (Mishkin, 2007:4)	Interest Rate of Deposit on Call (X21) The returns on services rendered by the bank to depositors of Deposit on Call in accordance with the period of the savings	Interest Rate 1 – 4 Days Interest Rate 5 – 12 Days Interest Rate 13 – 20 Days Interest Rate 21 – 28 Days	Interval
Deposit on Call (Y1) Deposits with a maturity of at least 1 Day and a maximum of less than 1 month	Deposit on Call (Y1) Deposits with a maturity of at least 1 Day and a maximum of less than 1 month		Interval
Profitability (Y2) Corporate size in gaining profit (Prawironegoro, 2010:58)	Return on Asset (Y2) Financial ratios express how much profit is generated divided by total assets	$\frac{(\text{Profit before tax according to Daily Trial Balance})}{(\text{Total Assets according to Daily Trial Balance})}$	Interval

Table 8. Summary of Quality of Service ( $X_i$ ) Variable Descriptive Analysis

		Expectation		Performance		Quality Of Service
$X_{11}$ Tangibles	Equipments	4,024		4,228		-0,203
	Tangible Facility	4,007		4,414		-0,407
	Employee's Neatness	3,997	4,070	4,366	4,234	-0,369
	Promotion Materials	4,252		3,931		0,321
	On time work completion	4,055		3,993		0,062
	Sincere interest	4,097		3,931		0,166
$X_{12}$ Reliability	Prosedure precision	4,431		4,290		0,141
	On time work execution	4,410	4,286	4,462	4,232	-0,052
	Defec-free service	4,434		4,483		-0,048
	Starting to work on time	3,990		3,872		0,117
$X_{13}$ Responsiveness	Fast paced service	4,159		4,366		-0,207
	Consistent in serving	4,007	4,075	4,276	4,197	-0,269
	Willingness to leave the bustle	4,145		4,272		-0,128
	Foster trust	4,117		4,390		-0,272
$X_{14}$ Assurance	Sense of security	4,162		4,321		-0,159
	Friendliness	4,307		3,952		0,355
	Knowledge	4,293	4,220	4,024	4,172	0,269
	Bank's attention	4,397		3,917		0,479
	Comfort	4,107		4,300		-0,193
$X_{15}$ Empathy	Employee's attention	4,186		4,466		-0,279
	Prioritize customer	4,007	4,146	4,338	4,213	-0,331
	Special need	4,034		4,045		-0,010

Source: Data Processing, 2015.



Table 9. Calculation of Class Limit of the Variable of Interest Rate of Deposit on Call ( $X_2$ )

Min	5,25%	5,45%	5,85%	6,45%
Max	8,45%	8,75%	9,05%	9,55%
Range	3,20%	3,30%	3,20%	3,10%
Upper Class				
1	5,71%	5,92%	6,31%	6,89%
2	6,16%	6,39%	6,76%	7,34%
3	6,62%	6,86%	7,22%	7,78%
4	7,08%	7,34%	7,68%	8,22%
5	7,54%	7,81%	8,14%	8,66%
6	7,99%	8,28%	8,59%	9,11%
7	8,45%	8,75%	9,05%	9,55%

Source: Data Processing, 2015

Table 11. Tabulation of Interest Rate of Deposit on Call 13-20 Days ( $X_{23}$ )

Class	Interest Rate	Frequency	Cumulative Percentage
1	<6,31%	17	29,31%
2	6,31%-6,75%	11	48,28%
3	6,76%-7,21%	11	67,24%
4	7,22%-7,67%	8	81,03%
5	7,68%-8,13%	5	89,66%
6	8,14%-8,58%	4	96,55%
7	>=8,59%	2	100,00%
Total		58	100,00%

Source: Data Processing, 2015.

Table 10. Tabulation of Interest Rate of Deposit on Call 1-4 Days ( $X_{21}$ )

Class	Interest Rate	Frequency	Cumulative Percentage
1	<5,71%	17	29,31%
2	5,71%-6,15%	13	51,72%
3	6,16%-6,61%	10	68,97%
4	6,62%-7,07%	7	81,03%
5	7,08%-7,53%	5	89,66%
6	7,54%-7,98%	4	96,55%
7	>=7,99%	2	100,00%
Total		58	100,00%

Source: Data Processing, 2015.

Table 12. Tabulation of Interest Rate of Deposit on Call 21-28 Days ( $X_{24}$ )

Class	Interest Rate	Frequency	Cumulative Percentage
1	<6,89%	17	29,31%
2	6,89%-7,33%	12	50,00%
3	7,34%-7,77%	11	68,97%
4	7,78%-8,21%	7	81,03%
5	8,22%-8,65%	5	89,66%
6	8,66%-9,10%	4	96,55%
7	>=9,11%	2	100,00%
Total		58	100,00%

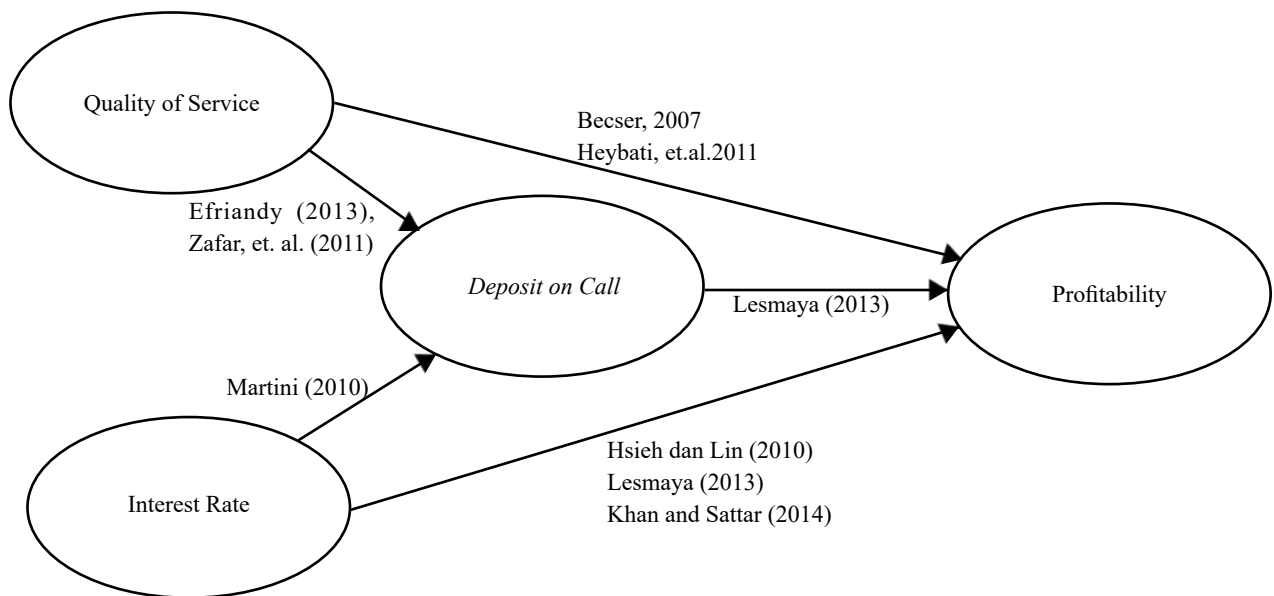
Source: Data Processing, 2015.

Table 13. Structural Model of Path Analysis Results: Direct Effect

Hypothesis	Relationship between variables	Coefficient	p-value	Explanation
H <sub>1</sub>	Quality Of Service ( $X_1$ ) → Deposit On Call ( $Y_1$ )	0,128	0,496	Positive, Not Significant
H <sub>2</sub>	Quality Of Service ( $X_1$ ) → Profitability ( $Y_2$ )	0,387	0,064	Positive, Significant
H <sub>3</sub>	Interest Rate ( $X_2$ ) → Deposit On Call ( $Y_1$ )	0,989	0,072	Positive, Significant
H <sub>4</sub>	Interest Rate ( $X_2$ ) → Profitability ( $Y_2$ )	0,441	0,083	Positive, Significant
H <sub>5</sub>	Deposit On Call ( $Y_1$ ) → Profitability ( $Y_2$ )	1,520	0,035	Positive, Significant

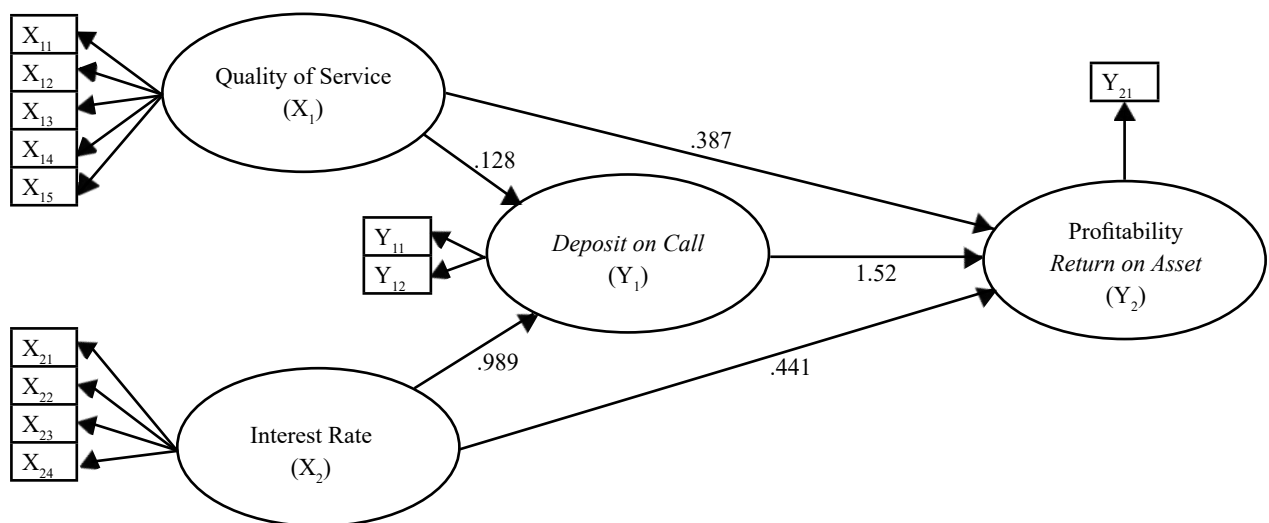
Note: Error rate lowered to 0.10.

Source: Data Processing, 2014.



Source: Previous Research Synthesis, 2015.

Figure 1. Research Paradigm



Source: Data Processing, 2015.

Figure 2. Path Analysis Result